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3 **STATE OF OREGON**
4 **DEPARTMENT OF CONSUMER AND BUSINESS SERVICES**
5 **DIVISION OF FINANCE AND CORPORATE SECURITIES**
6 **ENFORCEMENT SECTION**

7 **BEFORE THE DIRECTOR OF THE DEPARTMENT OF**
8 **CONSUMER AND BUSINESS SERVICES**

9 **In the Matter of:**

S-05-0039

10 **L.H. ROSS & COMPANY, INC., a**
11 **New York corporation,**

FINAL ORDER REVOKING
BROKER-DEALER LICENSE
ENTERED BY DEFAULT

12 **Respondent.**

13 On June 13, 2005, the Director of the Department of Consumer and Business
14 Services for the State of Oregon (hereafter "the Director"), acting by and pursuant to
15 the authority of the Oregon Securities Law, Oregon Revised Statutes ("ORS")
16 Chapter 59, and other applicable authority, issued Administrative Order No. S-05-
17 0039 **REVOKING BROKER-DEALER LICENSE AND NOTICE OF RIGHT TO**
18 **HEARING** ("the Proposed Order") against Respondent L. H. Ross & Company Inc.
19 ("Respondent" or "L.H. Ross").

20 On June 18, 2005, Respondent was duly served with a true copy of the
21 Proposed Order by United States Certified Mail, postage prepaid, and addressed to
22 Gary Langan Goodenow, Goodenow Law Firm, P.A., 440 NE 94th Street, Miami
23 Shores, Florida 33138-2846. On or about June 25, 2005, Respondent was duly
24 served with a true copy of the Proposed Order by United States Mail, postage
25 prepaid, and addressed to Franklin R. Michelin, 851 Aurelia Street, Boca Raton,
26 Florida 33486. The mailing was not returned.

NOW THEREFORE, after consideration of the Investigation Report and
accompanying exhibits submitted in this matter by John M. Kailey, Securities



1 Examiner, the Director hereby issues the following Findings of Fact, Conclusions of
2 Law, and Final Order.

3 **FINDINGS OF FACT**

4 The Director **FINDS** that:

5 1. L.H. Ross & Company, Inc. ("L.H. Ross" or "Respondent"), is a New
6 York corporation doing business as a securities broker-dealer with offices located at
7 2255 Glades Road, Suite 425W; Boca Raton, Florida 33431. L.H. Ross became
8 licensed as a broker-dealer in Oregon on February 5, 1997. The firm has or had no
9 branch offices in Oregon.

10 2. The National Association of Securities Dealers, Inc. ("NASD") is a self-
11 regulating securities organization registered under the Securities Exchange Act of
12 1934, as amended. The NASD licenses individuals and admits firms to the securities
13 industry. The NASD issues rules to govern the behavior of its members, examines
14 members for regulatory compliance and disciplines those members who fail to
15 comply. The NASD investigates complaints and has the power to expel member firms
16 that violate NASD rules.

17 3. On January 14, 2005, a Hearing Panel of the NASD issued a Decision
18 that L.H. Ross committed the following violations:

19 a. Participating in public offerings and sales of unregistered securities
20 issued by L.H. Ross through private placement offerings in 2003 and 2004 in
21 violation of NASD Conduct Rule 2110 and Section 5 of the Securities Act of 1933;
22 and

23 b. Making material misrepresentations and omissions of fact in connection
24 with the offer, sale or purchase of securities issued by L.H. Ross through private
25 placement offerings in 2003 and 2004 in violation of Section 17(a) of the Securities
26 Act of 1933, Section 10(b) of the Securities Exchange Act of 1934 and SEC Rule



1 10b-5 promulgated thereunder, and NASD Conduct Rules 2120 and 2210.

2 4. Based at least in part on those violations, the NASD Hearing Panel
3 issued a decision expelling L.H. Ross from NASD membership, ordering the firm to
4 permanently cease and desist from violating securities laws and regulations,
5 imposing a \$500,000 fine and ordering the firm to pay in excess of \$11 million in
6 restitution.

7 5. On January 17, 2005, after providing notice and opportunity for a
8 hearing, the State of New Hampshire issued a default Final Order against L.H. Ross
9 revoking the firm's state broker-dealer registration. The Order was predicated on
10 allegations that L.H. Ross sold unregistered securities in New Hampshire.

11 6. On January 18, 2005, after providing notice and opportunity for a
12 hearing, the State of Connecticut issued an Amended Final Order revoking the
13 broker-dealer registration of L.H. Ross. The Order required the firm to cease and
14 desist from violating securities laws and regulations and imposed a fine of \$420,000.
15 The Order was predicated on various dishonest and unethical business practices,
16 failing to supervise sales agents, employing unregistered persons, engaging in
17 unauthorized transactions in customer accounts and failing to disclose that margin
18 accounts had been created for customers.

19 7. On February 14, 2005, after providing notice and an opportunity for a
20 hearing, the State of Texas issued a Final Order revoking the securities dealer
21 registration of L.H. Ross. The Order was predicated on fraudulent business practices,
22 unsuitable customer investments, inequitable practices in the sale of securities and a
23 refusal to furnish information to the Texas Securities Commissioner.

24 8. On March 8, 2005, after providing notice and an opportunity for a
25 hearing, the State of Maine issued a Final Order revoking the broker-dealer license of
26 L.H. Ross. The Order was predicated on the fraudulent conduct detailed in the



1 actions against L.H. Ross by the NASD and the states of New Hampshire and
2 Connecticut.

3 9. L.H. Ross has not applied for licensing as a non-NASD broker-dealer
4 as provided for in ORS 59.175 and OAR 441-175-0080 (2).

5 **CONCLUSIONS OF LAW**

6 The Director **CONCLUDES** that:

7 1. Pursuant to ORS 59.205 (12)(a), the Oregon broker-dealer license of
8 L.H. Ross may be revoked because L.H. Ross is subject to orders that are currently
9 effective and were issued and entered within the last five years by the securities
10 agency or administrator of the states of New Hampshire, Connecticut, Texas and
11 Maine after notice and opportunity for hearing, that suspend or revoke the
12 registration or license of L.H. Ross as a broker-dealer in those states.

13 2. Pursuant to ORS 59.205 (12)(b), the Oregon broker-dealer license of
14 L.H. Ross may be revoked because L.H. Ross is the subject of an order that is
15 currently effective, and was issued and entered within the last five years after notice
16 and opportunity for hearing, expelling L.H. Ross from the membership in, or
17 association with, the NASD, a self-regulatory organization registered under the
18 Securities Exchange Act of 1934, as amended.

19 **NOW, THEREFORE, THE DIRECTOR ORDERS** that the Oregon broker-
20 dealer license of Respondent L.H. Ross & Company, Inc. is revoked.

21 Dated this 13th day of July, 2005 at Salem, Oregon, NUNC PRO TUNC
22 June 13, 2005.

23 CORY STREISINGER, Director
24 Department of Consumer and Business Services

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26 _____
Floyd Lanter, Administrator
Division of Finance and Corporate Securities

Division of Finance and Corporate Securities
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387

